

## Internal Revenue Service

## Department of the Treasury

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Washington, DC 20224

Person to Contact:

Telephone Number:  
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Refer Reply To:  
CC:CORP:2-PLR-145150-02  
Date:  
September 18, 2002

### Legend:

Distributing1	=
Distributing2	=
Controlled1	=
Controlled2	=
C2Sub	=
Business B	=
Target	=
Continent Z	=
\$C	=
\$E	=
Percentage 5	=

Dear Mr. :

This letter responds to your letter dated August 14, 2002, requesting a ruling supplementing the prior letter rulings dated September 26, 2001 (PLR-127322-00) (the "Prior Ruling") and July 11, 2002 (PLR-121501-02) (the "Prior Supplemental Ruling"). The Prior Ruling, as supplemented by the Prior Supplemental Ruling, addresses a distribution of Controlled1 stock by Distributing1 to Distributing2, a contribution by

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Distributing2 of the Continent Z Business B assets and the Controlled1 stock to Controlled2, followed by the transfer of the Continent Z Business B assets and the Controlled1 stock to C2Sub (a wholly owned subsidiary of Controlled2), and the distribution by Distributing2 of Controlled2 stock pro rata to its shareholders, followed immediately by the acquisition by Controlled2 of Target in exchange for not more than Percentage 5 of the stock of Controlled2.

The rulings contained in this letter are based upon information and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. This office has not verified any of the materials submitted in support of the request for rulings. Verification of the information, representations, and other data may be required as part of the audit process.

Facts:

The facts as described in the Prior Ruling, as supplemented by the Prior Supplemental Ruling, are unchanged, except as stated below.

1. The distribution of \$C by Target will occur without cancellation of any Target ordinary shares.
2. Immediately prior to the Acquisition, Target will reduce to \$E per share the exercise price of those Target Share Options that have an exercise price in excess of \$E. Such repricing is contingent upon issuance of this supplemental ruling.
3. Target has terminated certain employees. Any Target Share Options held by each terminatee will be modified to provide that vesting of such options will continue for 6 months following such terminatee's termination date and that such options will continue to be exercisable for a 6-month period thereafter.

Representations:

The representations made in connection with the Prior Ruling as modified and expanded in the Prior Supplemental Ruling remain valid, in full force and effect.

Ruling:

The additional information submitted will have no adverse effect on the rulings set forth in the Prior Ruling and the Prior Supplemental Ruling.

Except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter.

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This ruling is directed only to the taxpayer(s) requesting it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

A copy of this letter must be attached to any income tax return to which it is relevant.

In accordance with the Power of Attorney on file with this office, copies of this letter are being sent to the taxpayer and its representative.

Sincerely,

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Gerald B. Fleming  
Senior Technician Reviewer, Branch 2  
Office of Associate Chief Counsel  
(Corporate)